HEARD AT THE SHOW:

Business Tips for Remodelers

One of the best things about the NAHB Remodelers Show is that it gives remodelers from across the country an opportunity to talk shop and exchange business ideas. For those of you who couldn't make it to Atlanta in October, several *JLC* editors attended and brought back these ideas on running a successful remodeling company.

The Lead Man Concept

If you want your company to grow, but don't want to put in 14-hour days, several speakers agreed that running each job with a "lead man" is the way to go.

A few years ago, Louisville, Ky., contractor Bill Marrett told his lead carpenters that "you are going to replace me on site." That's the basic idea of the lead man: Put responsibility for the job at the job site where it belongs. This includes ordering materials, writing change orders, collecting payments, and getting extra help.

Most lead men are promoted from within. Some ran their own companies in the past and want more responsibility in their current job.

How much work can a lead man take on annually? It depends on whom you ask. Each of Columbia, Mo., remodeler Kerry Bramon's lead men runs jobs worth from $150,000 to $200,000 per year. Bill Marrett thinks that each lead man should manage from $250,000 to $350,000 per year. Remodeler Ken Klein, of Tulsa, Okla., bases his expectations on gross profit rather than volume, and expects each of his guys to bring in $125,00 to $150,000 in gross profit per year.

Other tips: Have a preconstruction meeting with the lead man and customer for every job to work out all the details — from payment schedules to policies about the client's pet. Then stay informed about job progress with daily phone calls and weekly meetings. Incentive programs to motivate lead men are also important, but tricky to administer. One approach is to bonus the lead man based on a job's profit and let him distribute the money to the crew as he sees fit.

Demand Pricing

The most frustrating experience Newington, Conn., remodeler Bob Hanbury ever had while bidding for work was when he left $40,000 on the table, then lost the job because his price was too *low*. Since then, he modifies his bids based on factors other than cost — a strategy he calls "demand pricing."

For example, Hanbury recommends raising prices and margins whenever economic conditions improve: "Your pricing should go up automatically — don't think twice about it." You can also raise your prices based on customer type. Some people, because they can pay more, will demand more. "These customers," says Hanbury, "deserve a higher price."

The same is true of a job's location. Remodeling work on a $400,000 home in a ritzy part of town should not be priced the same as work on a $100,000 home. And don't forget to factor the customer's time constraints into your price. Commercial clients are usually concerned about your ability to complete their project on time. This is also true for residential work that needs to be finished for a special occasion, like a wedding or a party, or for repair work that has to be fixed immediately. On bids like these, says Hanbury, "price is a secondary issue."

Commonsense Marketing

One of the best things you can do to market your company is to keep in touch with past customers. Three years ago, Casco, Maine, remodeler Lee McGinley had no work, so he sent a direct-mail piece to 25 past customers. This generated two jobs, which kept him busy for the winter.

Now he takes additional steps to keep in touch. At the end of a job, he sends a thank you note with a small gift. If the client makes a referral, he sends a nice bottle of wine or a gift certificate to a good restaurant. Also at the end of a job, he buys his customers a three-year subscription to *Home* magazine addressed to his company at their address. This reminds them of McGinley and Company every month.

The Future Is Bright

The future of the remodeling industry is healthy, according to NAHB economist Gopal Ahluwalia. He's got the numbers to prove it.

Of the 110 million homes in this country, half are 27 years old or older. By the end of the decade, the median age will be 32 years. That means there's a lot of work to be done in existing houses to bring them up to today's standards. All those people living in houses built in the '60s and '70s — houses with small kitchens, 1 1/2 baths, no garage, no fireplace — want the features of houses built in the '80s and '90s. In particular, they want more space, a big, modern kitchen, and more bathrooms. That's why remodeling has boomed in excess of 100 billion dollars in the last six years — and the trend is likely to continue.

By the end of the decade, Ahluwalia predicts that homes 1,400 to 1,500 square feet will be enlarged to 1,800 to 2,000 square feet, with the main focus being the kitchen and bathrooms. In addition, four other rooms will continue to grow in popularity: the media room, the exercise room, the home office, and the "great room." Also look for a rise in home security — Ahluwalia expects every house to have some kind of security system by the end of the decade. ■